

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 PC-15 NIC-01 NSC-10

SS-20 STR-08 CEA-02 INT-08 IGA-02 L-03 DRC-01 /167 W

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R 062245Z NOV 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7664

C O N F I D E N T I A L LIMA 8102

EO 11652 GDS

TAGS: EIND, EMIN, BDIS, PE

SUBJ: CERRO DE PASCO

REF: LIMA 8032, LIMA 8002

1. MIKE KURLYA, ACTING IN ABSENCE LLOSA, INFORMED EMBOFF TODAY THAT LLOSA, WHO PRESENTLY IN NEW YORK, HAS BEEN ABLE TO CONVINCE MURPHY TO PAY \$275,000 COVERING SUMS FOR BISMUTH AND INDIUM MENTIONED LIMA 8002. LLOSA PLANS TO BRING CHECK IN THIS AMOUNT TO LIMA ON HIS RETURN NOVEMBER 8. KURLYA ADDED THAT CERRO NOW HAS OPERATING FUNDS TO LAST THROUGH WEEK NOVEMBER 23 AND POSSIBLY UNTIL NOVEMBER 30. RELATIVE "SOLVENCY" DUE TO BANCO POPULAR LOAN OF \$6 MILLION AND FACT THAT GOP NOT PRESENTLY PRESSING FOR PAYMENT OF WAGE INCREASES WHICH WERE DUE TO GO INTO EFFECT AT THE BEGINNING OF NOVEMBER.

2. KURLYA ADDED THAT 400 OF WHITE COLLAR STAFF OF 2,000 EMPLOYEES HAVE ALREADY QUIT, DUE IN PART TO BENEFITS FROM RETIREMENT LAW, BUT PRIMARILY BECAUSE OF POLITICAL PROBLEMS RE COMPANY'S FUTURE. FORTY PEOPLE OF THIS NUMBER ARE KEY TECHNICIANS, INCLUDING DOUD AND THE KNOWLEDGEABLE ASSISTANT MANAGER OF OPEN
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PIT OPERATIONS AT CERRO DE PASCO MINE. NOTWITHSTANDING

THESE LOSSES IN PERSONNEL, HOWEVER, KURLYA SAID THAT CERRO'S PRESENT PRODUCTION RUNNING AHEAD OF NORMAL ALTHOUGH HE EXPECTS PRODUCTION TO DROP OFF SUBSTANTIALLY IN THE NEAR FUTURE BECAUSE OF THESE DEPARTURES. "WE ARE RUNNING ONLY ON STEAM", HE SAID.

3. GOVERNMENT OVERSEERS (SEE LIMA 7687) CONTINUE TO REVIEW CERRO OPERATION CLOSELY BUT ARE NOT INTERFERING WITH OPERATIONS. IN FACT, THEY HAVE GONE OUT OF THEIR WAY, BOTH IN LA OROYA AND IN LIMA, TO ASSUAGE THE FEARS OF THE PERUVIAN AND FOREIGN PERSONNEL OF FUTURE. KURLYA ADDED THAT ASIDE FROM CASH FLOW PROBLEM, MAJOR WORRY OF LLOSA AND OTHER SENIOR STAFF MEMBERS HERE IS GROWING CONCERN ABOUT \$20 MILLION PLUS MURPHY HAS WITHHELD IN REPAYMENT DUE TO MINRO PERU. KURLYA ADDED THAT SHOULD MURPHY DECIDE IN LONG RUN NOT TO RETURN THIS MONEY, MOST OF SENIOR STAFF AT CERRO DE PASCO COULD EXPECT TO SPEND NEXT FIVE YEARS IN PRISON. IN THIS REGARD HE SAID HE HAD PERSONALLY CONFRONTED MURPHY IN NEW YORK WITH THE LEGAL IMPLICATIONS OF CERRO'S DECISION TO WITHHOLD REPAYMENTS AND MURPHY HAD ACKNOWLEDGED HE HIMSELF WORRIED ABOUT THIS POSSIBLE CONSEQUENCE OF HIS UNILATERAL DECISION TO WITHHOLD PAYMENTS.

4. KURLYA SAID LLOSA WAS WORKING ON THE PROBLEM OF FOREIGN EXCHANGE PAYMENT OF EXPATRIATE STAFF AND KURLYA HOPEFUL THAT LLOSA MAY RETURN WITH RESOLUTION THIS PROBLEM AS WELL, ALTHOUGH HE WAS NOT SURE OF CERRO NEW YORK DECISION REGARDING THIS MATTER.

5. LABOR AGITATION PRESENTLY AT MINIMUM, ACCORDING TO KURLYA WHO SAYS THAT HENRY ALLEN AT LA OROYA STATES EVERYTHING AT MOMENT "VERY QUIET."
BELCHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PUBLIC DEMONSTRATIONS, LABOR UNIONS, PRICES, PUBLIC ADMINISTRATION, FOREIGN EXCHANGE, LABOR FORCE, LABOR OBJECTIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LIMA08102
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731152/aaaabmle.tel
Line Count: 95
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LIMA 8032, LIMA 8002
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 24 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Jan-2002 by martinjw>; APPROVED <13 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CERRO DE PASCO
TAGS: EIND, EMIN, BDIS, ELAB, PE, CERRO CORP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005